April 23, 2015

SECURITIES AND EXCHANGE COMMISSION
EDSA, Greenhills, Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director, Markets and Securities Regulation Department

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Subject: Notice of Claim to the Republic of the Philippines

Gentlemen:

Please be informed that today, Manila Water Company, Inc. ("Manila Water") filed with the Department of Finance ("DOF") its Notice of Claim (the "Notice") under the Letter of Undertaking of the Republic of the Philippines (the "Republic"), issued through the DOF and dated July 31, 1997, as reiterated in its Letter dated October 19, 2009 ("Letter of Undertaking"). The Letter of Undertaking was a requirement in the Concession Agreement of Manila Water with the Metropolitan Waterworks and Sewerage System ("MWSS") executed on February 21, 1997.

In the Letter of Undertaking, the Republic, through the DOF, undertook to indemnify Manila Water against any loss caused by any action on the part of MWSS resulting in the reduction of the standard rates "below the level that would otherwise be applicable in accordance with the Concession Agreement," thereby denying Manila Water a rate of return "allowed from time to time to operators of long term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines" pursuant to Section 9.4 of the Concession Agreement.

In view thereof, Manila Water, through the Notice, demanded that the Republic indemnify it by reimbursing the losses in operating revenues to be realized for each remaining year of the Concession as the losses are realized. Current estimates place this amount at approximately Php79 billion covering the period 2015 to 2037.

Very truly yours,

JHOEL P. RAQUEDAN
Chief Legal Counsel
Assistant Corporate Secretary